

CITY OF WESTSIDE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 10-11
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12-13
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 14-15
Notes to Financial Statements	16-22
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	24-25
Notes to Other Information – Budgetary Reporting	26
Supplementary Information:	<u>Schedule</u>
Schedule of Indebtedness	1 28-29
Bond and Note Maturities	2 30
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
Schedule of Findings	34-37

City of Westside

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Martin Mohr	Mayor	Jan 2012
Mary Lou Kraus	Council Member	Jan 2012
Deb Weller	Council Member	Jan 2014
Allan Kock	Council Member	Jan 2014
Amanda Sporrer	Council Member	Jan 2012
Steve Wieland	Council Member	Jan 2012
Bonnie Schmitz	City Clerk	Indefinite
Allen K. Nepper	Attorney	Indefinite
(After January 2012)		
Larry Jons	Mayor	Jan 2014
Deb Weller	Council Member	Jan 2014
Allan Kock	Council Member	Jan 2014
Steve Wieland	Council Member	Jan 2016
Jary Quandt	Council Member	Jan 2016
Amanda Sporrer	Council Member	Jan 2016
Bonnie Schmitz	City Clerk	Indefinite
Allen K. Nepper	Attorney	Indefinite



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

September 26, 2012

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Westside, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Westside's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Westside as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 26, 2012 on our consideration of the City of Westside's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Westside's basic financial statements. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Westside's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 24 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Westside provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 7%, or approximately \$14,000, fiscal year 2011 to fiscal year 2012. Road use taxes decreased approximately \$4,800, charges for services decreased approximately \$6,000 and miscellaneous receipts increased approximately \$28,000.
- Total disbursements decreased approximately \$6,500.
- The City's total cash basis net assets increased 11.5%, in fiscal year 2012, or approximately \$69,000. Of this amount, the assets of the governmental activities increased approximately \$45,000 and assets of the business type decreased approximately \$24,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a companion of the City's budget for the year.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information helps answer this question.

The Statement of Activities and Net Assets present the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, general government, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and landfill. These activities are financed primarily by user charges.

FUND FINANCIAL STATEMENTS

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include:
 - a) the General Fund
 - b) the Special Revenue Funds such as Road Use Tax and Local Option Tax

The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Government fund information helps determine whether there are more or fewer financial resources that can be spent in the near to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and landfill funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased slightly from a year ago. The analysis that follows focuses on cash balances for governmental activities.

City of Westside Changes in Cash Basis Net Assets of Governmental Funds		Year Ended 06/30/2012
Receipts		
Program receipts:		
Charges for service	\$	9,047
Operating grants, contributions and restricted interest		76,389
General receipts:		
Property tax		84,108
Tax increment financing collections		25,904
Other city tax		24,027
Unrestricted interest on investments		3,835
Miscellaneous		20
Total receipts		<u>223,330</u>
Disbursements		
Public safety		9,983
Public works		80,055
Culture and recreation		27,067
Community and economic development		9,500
General government		40,044
Total disbursements		<u>166,649</u>
Change in cash basis net assets before transfer		56,681
Other financing sources (uses):		
Operating transfers, net		<u>(11,968)</u>
Net change in cash basis net assets		44,713
Cash basis net assets, beginning of year		<u>348,429</u>
Cash basis net assets, end of year	\$	<u><u>393,142</u></u>

City of Westside
Changes in Cash Basis Net Assets of Business Type Activities

	Year Ending <u>6/30/2012</u>
Receipts	
Program receipts:	
Charges for service	
Water	\$ 60,492
Sewer	54,040
Landfill	23,775
General receipts:	
Unrestricted interest on investments	2,934
Miscellaneous	<u>99</u>
Total receipts	141,340
Disbursements:	
Water	61,831
Sewer	44,793
Landfill	<u>22,005</u>
Total disbursements	<u>128,629</u>
Change in cash basis net assets before transfers	12,711
Other financing sources (uses):	
Operating transfers, net	11,968
Net change in cash basis net assets	24,679
Cash basis net assets, beginning of year	<u>256,808</u>
Cash basis net assets, end of year	<u>\$ 281,487</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The General Fund cash balance increased approximately \$44,700 from the prior year to \$393,142.

The Road Use Tax Fund cash balance increased approximately \$20,000 to \$33,036 during the fiscal year. The city intends to use this money to upgrade the condition of all City roads. The Employee Benefits Fund decreased approximately \$100 from the prior year to \$3,134. The Urban Renewal Tax Increment Fund had no change during the fiscal year. The Local Option Sales Tax Fund increased approximately \$5,000 to \$44,086.

The total cash basis fund balance is approximately \$393,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance is \$155,476, an increase of approximately \$12,600. The Sewer Fund has a cash balance of \$113,953, and increase of approximately \$10,200. The Landfill Fund ended the year with a cash balance of \$12,058. Increases in the business type funds are due primarily to the normal operations of the City's utilities.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on April 2, 2012 and resulted in increases in miscellaneous receipts by \$26,500, use of money and property receipts by \$1,000, and intergovernmental receipts by \$5,500. The amendment increased spending for public works by \$12,200, culture and recreation by \$8,800, and community and economic development by \$12,000. The budget was amended for the additional receipts of trust fund money and miscellaneous revenue and spending for storm sewer repairs, library building repairs, and foundation grants.

The receipts were \$3,000 more than budgeted due primarily to additional property tax receipts.

Total disbursements were \$100,000 less than the amended budgeted disbursements. The city budgeted high in the public works function and business type activities function for possible contingent repairs.

DEBT ADMINISTRATION

At June 30, 2012, the City of Westside owes \$368,000 SRF loan balance scheduled to be paid off over the next 14 years or in 2025 fiscal year by sewer revenue.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 % of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$0 is significantly below its constitutional debt limit of \$642,857.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Westside's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index Increase. The State's CPI increase was 1.8% for fiscal year 2012 compared with the national rate of 1.7%. Inflation has been modest here due to watchful spending by the City Council.

These indicators were taken into account when adopting the budget for fiscal year 2013. Property tax increased assessed evaluations and the lowering of the City's tax base to 11.54178 cents per thousand will help hold our inflation in check.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bonnie Schmitz, City Clerk, 131 Main St, Westside, Iowa.

Basic Financial Statements

City of Westside
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 9,983	-	18,291
Public works	80,055	-	20,462
Culture and recreation	27,067	7,200	11,769
Community and economic development	9,500	-	-
General government	40,044	1,847	25,867
Total governmental activities	166,649	9,047	76,389
Business type activities:			
Water	61,831	60,492	-
Sewer	44,793	54,040	-
Landfill	22,005	23,775	-
Total business type activities	128,629	138,307	-
Total	\$ 296,278	147,354	76,389
General Receipts:			
Property tax levied for:			
General purposes			
Employee benefits			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Expendable:			
Streets			
Employee benefits			
Local option sales tax			
Unrestricted			
Total cash basis net assets			

See notes to financial statements

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes In Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	8,308	-	8,308
-	(59,593)	-	(59,593)
-	(8,098)	-	(8,098)
-	(9,500)	-	(9,500)
-	(12,330)	-	(12,330)
-	(81,213)	-	(81,213)
-	-	(1,339)	(1,339)
-	-	9,247	9,247
-	-	1,770	1,770
-	-	9,678	9,678
-	(81,213)	9,678	(71,535)
\$	78,508	-	78,508
	5,600	-	5,600
	25,904	-	25,904
	24,027	-	24,027
	3,835	2,934	6,769
	20	99	119
	(11,968)	11,968	-
	125,926	15,001	140,927
	44,713	24,679	69,392
	348,429	256,808	605,237
\$	393,142	281,487	674,629
\$	33,036	-	33,036
	3,134	-	3,134
	44,086	-	44,086
	312,886	281,487	594,373
\$	393,142	281,487	674,629

City of Westside
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2012

		Special Revenue	
	General	Road Use Tax	Employee Benefits
Receipts			
Property tax	\$ 76,606	-	5,600
Tax increment financing collections	-	-	-
Other city tax	1,902	-	-
Licenses and permits	1,055	-	-
Use of money and property	4,651	50	-
Intergovernmental	24,820	20,412	-
Charges for service	4,950	-	-
Special assessments	792	-	-
Miscellaneous	32,279	-	-
Total receipts	147,055	20,462	5,600
Disbursements			
Operating:			
Public safety	9,983	-	-
Public works	56,907	351	3,397
Culture and recreation	26,420	-	647
Community and economic development	9,500	-	-
General government	38,384	-	1,660
Total disbursements	141,194	351	5,704
Excess (deficiency) of receipts over (under) disbursements	5,861	20,111	(104)
Other financing sources (uses):			
Operating transfers in	13,936	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	13,936	-	-
Net change in cash balances	19,797	20,111	(104)
Cash balances beginning of year	293,089	12,925	3,238
Cash balances end of year	\$ 312,886	33,036	3,134
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	33,036	-
Employee benefits	-	-	3,134
Local option sales tax	-	-	-
Unassigned	312,886	-	-
Total cash basis fund balances	\$ 312,886	33,036	3,134

See notes to financial statements

Exhibit B

Urban Renewal Tax Increment	Local Option Sales Tax	Total
-	-	82,206
25,904	-	25,904
-	24,027	25,929
-	-	1,055
-	282	4,983
-	-	45,232
-	-	4,950
-	-	792
-	-	32,279
25,904	24,309	223,330
-	-	9,983
-	19,400	80,055
-	-	27,067
-	-	9,500
-	-	40,044
-	19,400	166,649
25,904	4,909	56,581
-	-	13,936
(25,904)	-	(25,904)
(25,904)	-	(11,968)
-	4,909	44,713
-	39,177	348,429
-	44,086	393,142
-	-	33,036
-	-	3,134
-	44,086	44,086
-	-	312,886
-	44,086	393,142

City of Westside
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2012

	Enterprise Funds		
	Water	Sewer	Landfill
Operating receipts:			
Charges for service	\$ 60,492	54,040	23,775
Miscellaneous	99	-	-
Total operating receipts	60,591	54,040	23,775
Operating disbursements:			
Business type activities	61,831	11,093	22,005
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,240)	42,947	1,770
Non-operating receipts (disbursements):			
Interest on investments	1,858	1,026	50
Debt service	-	(33,700)	-
Total non-operating receipts (disbursements)	1,858	(32,674)	50
Excess of operating receipts over operating disbursements	618	10,273	1,820
Operating transfers in	11,968	-	-
Net change in cash balances	12,586	10,273	1,820
Cash balances beginning of year	142,890	103,680	10,238
Cash balances end of year	\$ 155,476	113,953	12,058
Cash Basis Fund Balances			
Unrestricted	\$ 155,476	113,953	12,058

See notes to financial statements

<hr/>	
Total	
	<hr/>
138,307	
99	
138,406	<hr/>
94,929	<hr/>
43,477	
2,934	
(33,700)	<hr/>
(30,766)	<hr/>
12,711	
11,968	<hr/>
24,679	
256,808	<hr/>
281,487	<hr/>
281,487	<hr/>

City of Westside
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Westside is a political subdivision of the State of Iowa located in Crawford County, and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, and general government services. The City also provides water, sewer and landfill utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Westside has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Crawford County Landfill Association, Crawford County Assessor's Conference Board, Crawford County Emergency Management Commission, and Crawford County 911 Service Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Westside
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Westside
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies – Continued

B. Basis of Presentation - Continued

The City reports the following major governmental funds - Continued:

The Employee Benefit Fund is used to account for property taxes levied to pay employee benefits.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for local option sales tax received by the City.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Landfill Fund accounts for the collection and payment of garbage collection services.

C. Measurement Focus and Basis of Accounting

The City of Westside maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Westside
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Crawford County Treasurer's Offices. These taxes are recognized as income to the City when they are received from the county.

City of Westside
Notes to Financial Statements
June 30, 2012

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$674,629 at June 30, 2012.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 23,000	\$ 11,040
2014	24,000	10,350
2015	25,000	9,630
2016	26,000	8,880
2017	26,000	8,100
2018-2022	145,000	28,200
2023-2025	99,000	6,000
	<u>\$ 368,000</u>	<u>82,200</u>

The Code of Iowa requires principal and interest on general obligation debt to be paid from the Debt Service Fund.

City of Westside
Notes to Financial Statements
June 30, 2012

(3) Bonds and Notes Payable – Continued

The City has a general obligation debt limit of approximately \$642,857 which was not exceeded during the year ended June 30, 2012.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$474,000 in sewer revenue notes issued in August 2007. Proceeds from the notes provided financing for the construction of improvements and extensions to the sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$450,200. For the current year, principal and interest paid and total customer net receipts were \$33,700 and \$42,947, respectively.

The resolutions for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds. As long as the sinking fund has the full amounts required to be deposited therein, any balance in the Surplus Fund is available for the operation of the utility.

The City has not established a sewer bond sinking fund as required by the bond resolution.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2012 was \$3,439, equal to the required contribution for the year.

City of Westside
Notes to Financial Statements
June 30, 2012

(5) Compensated Absences

City employees accumulate comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. No accumulation of vacation or sick days is allowed. The City's approximate liability for earned compensated absences payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Comp time	\$ <u>581</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General:	Special Revenue:	
	Urban Renewal Tax Increment	\$ 13,936
Enterprise:	Special Revenue:	
Water	Urban Renewal Tax Increment	11,968
		\$ <u>25,904</u>

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Other Information

City of Westside
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 82,206	-	82,206
Tax increment financing collections	25,904	-	25,904
Other city tax	25,929	-	25,929
Licenses and permits	1,055	-	1,055
Use of money and property	4,983	2,934	7,917
Intergovernmental	45,232	-	45,232
Charges for service	4,950	138,307	143,257
Special assessments	792	-	792
Miscellaneous	32,279	99	32,378
Total receipts	<u>223,330</u>	<u>141,340</u>	<u>364,670</u>
Disbursements			
Public safety	9,983	-	9,983
Public works	80,055	-	80,055
Culture and recreation	27,067	-	27,067
Community and economic development	9,500	-	9,500
General government	40,044	-	40,044
Business type activities	-	94,929	94,929
Total disbursements	<u>166,649</u>	<u>94,929</u>	<u>261,578</u>
Excess (deficiency) of receipts over (under) disbursements	56,681	46,411	103,092
Other financing sources (uses), net	<u>(11,968)</u>	<u>(21,732)</u>	<u>(33,700)</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements and other financing sources (uses)	44,713	24,679	69,392
Balances beginning of year	<u>348,429</u>	<u>256,808</u>	<u>605,237</u>
Balances end of year	<u>\$ 393,142</u>	<u>281,487</u>	<u>674,629</u>

See accompanying independent auditors' report

Budgeted Amounts		Final to
Original	Final	Net Variance
80,595	80,595	1,611
25,850	25,850	54
29,435	29,435	(3,506)
1,430	1,430	(375)
8,680	9,680	(1,763)
34,339	39,839	5,393
143,190	143,190	67
793	793	(1)
4,910	31,410	968
329,222	362,222	2,448
17,718	17,718	7,735
97,109	109,309	29,254
19,624	28,424	1,357
-	12,000	2,500
42,531	42,531	2,487
152,240	152,240	57,311
329,222	362,222	100,644
-	-	103,092
-	-	(33,700)
-	-	69,392
493,439	493,439	111,798
493,439	493,439	181,190

City of Westside
Notes to Other Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. The City of Westside's functions are: public safety, public works, culture and recreation, economic development, general government, debt service, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased both budgeted receipts and disbursements by \$33,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

Supplementary Information

City of Westside
Schedule of Indebtedness
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue notes: Sewer	Aug 23, 2007	3.00%	\$ 474,000

See accompanying independent auditors' report

Schedule 1

<u>Balance Beginning Of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>390,000</u>	<u>-</u>	<u>22,000</u>	<u>368,000</u>	<u>11,700</u>	<u>-</u>

City of Westside
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	Revenue Notes	
	Interest Rate	Amount
2013	3.00 %	\$ 23,000
2014	3.00 %	24,000
2015	3.00 %	25,000
2016	3.00 %	26,000
2017	3.00 %	26,000
2018	3.00 %	27,000
2019	3.00 %	28,000
2020	3.00 %	29,000
2021	3.00 %	30,000
2022	3.00 %	31,000
2023	3.00 %	32,000
2024	3.00 %	33,000
2025	3.00 %	34,000
Total		\$ 368,000

See accompanying independent auditors' report

City of Westside



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

September 26, 2012

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Westside, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 26, 2012. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting, as we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditors' Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Westside is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Westside's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Westside's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Westside's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

Continued...

omni business centre
300 west broadway, suite 41
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

City of Westside
Report on Compliance and Internal Control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Westside's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-12 through I-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-C-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westside's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Westside's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Westside's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Westside and other parties to whom the City of Westside may report including. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Westside during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schrover & Associates, P.C.

City of Westside
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-12 Record of Accounts – The Library maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response – We will attempt to comply with these recommendations and will bring them to the attention of the Library Board.

Conclusion – Response accepted.

City of Westside
Schedule of Findings
Year ended June 30, 2012

Part I: Findings Related to the Financial Statements - Continued:

I-C-12 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits.

Response – We will attempt to implement these procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Westside
Schedule of Findings
Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.
- II-B-12 Questionable Disbursements – We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions – No business transactions were noted between the City and City officials or employees.
- II-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes for Council proceedings were published they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The Council should monitor procedures to ensure the minutes and gross salaries are published as required.

Response – We will make sure minutes and salaries are published as required in the future.

Conclusion – Response accepted.

- II-G-12 Deposits and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa, and the City's investment policy. However, the depository resolution adopted by the City does not specify the maximum amount that may be kept on deposit in each depository as required by Chapter 12C of the Code of Iowa.

Recommendation – The Council should adopt a resolution specifying the maximum amount that may be kept on deposit in each depository.

Response – We will update our resolution to include maximum amounts.

Conclusion – Response accepted.

City of Westside
Schedule of Findings
Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting - Continued:

II-H-12 Revenue Note – We noted an instance of noncompliance with the revenue bond and note resolutions. The City has not established a sewer bond sinking fund are required by the bond resolution.

Recommendation – The city should establish a sewer bond sinking fund and transfer the required funds per the bond resolution.

Response – We will establish the sewer bond sinking fund and transfer the appropriate funds.

Conclusion – Response accepted.

II-I-12 Disbursements – The city received only the front image of the electronically retained checks from the bank.

Recommendation – The city should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – We will contact the bank to request this.

Conclusion – Response accepted.

II-J-12 Excess Balances – The balances in the General Fund, Road Use Fund, Local Option Sales Tax Fund, Enterprise Funds – Water, and Enterprise Funds – Sewer accounts were in excess of the fund disbursements during the year.

Recommendation – The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – We plan on using the excess balances on improvement projects, debt payments, and emergency situations.

Conclusion – Response accepted.